

**FAIRVIEW TREATMENT CENTER**

St. Mary Parish, Louisiana

Financial Report

Year Ended June 30, 2014

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## INDEPENDENT AUDITORS' REPORT

Fairview Treatment Center  
St. Mary Parish, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Fairview Treatment Center (hereinafter "Center"), a governmental fund of the St. Mary Parish Council, as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Center as of June 30, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information on pages 14-15 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Center has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Center. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of the Center's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards on pages 17-18 is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
December 17, 2014

## **FUND FINANCIAL STATEMENTS**

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Balance Sheet  
Governmental Fund  
June 30, 2014

ASSETS

Assets:	
Accounts receivable, net	\$ 76,386
Due from other governments	<u>321,476</u>
Total assets	<u>\$ 397,862</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Due to parish government	\$ 129,053
Accounts payable	22,981
Accrued liabilities	<u>54,259</u>
Total liabilities	<u>206,293</u>
Fund balance:	
Restricted for prevention and treatment of substance abuse	<u>191,569</u>
Total liabilities and fund balance	<u>\$ 397,862</u>

*The accompanying notes are an integral part of the financial statements.*

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
Year Ended June 30, 2014

Revenues:	
Intergovernmental	\$2,332,992
Patient fees	36,601
Miscellaneous	<u>20</u>
Total revenues	<u>2,369,613</u>
Expenditures:	
Current-	
General government-	
Bad debts	4,584
Laboratory fees	9,886
Operating services	338,248
Personal services	1,375,047
Professional fees	369,010
Supplies	79,537
Travel	1,488
Capital outlay	<u>5,791</u>
Total expenditures	<u>2,183,591</u>
Net change in fund balance	186,022
Fund balance, beginning	<u>5,547</u>
Fund balance, ending	<u>\$ 191,569</u>

*The accompanying notes are an integral part of the financial statements.*



FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Notes to Financial Statements

INTRODUCTION

In October of 1989, the St. Mary Parish Council passed a resolution agreeing to participate in the operation of an alcohol and drug abuse, inpatient treatment facility for the residents of Louisiana. The operations began in November 1989 when they entered into an agreement with the State of Louisiana, Department of Health and Hospitals to operate the Fairview Treatment Center (hereinafter "Center").

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) establishes criteria for determining which organizations should be included in a governmental financial reporting entity. As the governing authority of the Center, for reporting purposes, the St. Mary Parish Council (Council) is the financial reporting entity. The financial reporting entity consists of the primary government (Council), organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Center is a governmental fund of the St. Mary Parish Council (primary government) and, as such, these financial statements should be included in the basic financial statements of the Council for the year ending December 31, 2014. The Center has followed GASB guidance to determine whether there are any other organizations that should be combined with its statements to form a financial reporting entity. These financial statements include only the operations of the Center.

B. Basis of Presentation

The accompanying financial statements of the Center have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Financial Statements

The Center uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Center functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The fund of the Center is classified as a governmental fund.

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Notes to Financial Statements (continued)

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded with the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of a period.

Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting.

D. Assets, Liabilities, and Equity

Cash and interest-bearing deposits

Cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Center.

Under state law, the Center may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Notes to Financial Statements (continued)

Fund equity

Governmental fund equity is classified as fund balance. Fund balance for the Center's governmental fund is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balance is classified as follows:

1. Nonspendable - amounts that cannot be spent either because they are in nonspendable form (such as prepaid expenditures) or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed - amounts that can be used only for specific purposes determined by a formal action of the St. Mary Parish Council. The Parish Council is the highest level of decision-making authority for the Center. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Parish Council.
4. Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Parish Government's adopted policy, the Administrator of the Center may assign amounts for specific purposes.
5. Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Center considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Center considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Parish Council or the Center's Administrator have provided otherwise in their commitment or assignment actions.

E. Revenues and Expenditures

Revenues

Revenues and fees, charges, and commissions for services are recorded when the Center is entitled to the funds.

Expenditures

Expenditures are recorded when the underlying liability is incurred and are classified by character.

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Notes to Financial Statements (continued)

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Compensated Absences

Employees earn vacation and sick leave annually at varying rates depending upon length of service. These compensated absences are allowed to accumulate from period to period if not used. The maximum amount of vacation days that can be carried over is ten work days but only upon written approval from the Administrator and must be taken by the employee within forty-five days. Sick leave shall be earned at the rate of one day per month up to twelve days per year. An employee cannot accrue more than 120 days of sick leave. Upon termination an employee is compensated for accumulated vacation time. Employees are not compensated for sick time unless termination is due to normal retirement at which point sick time is considered vested. Normal retirement is when the employee meets the required qualifications to retire from the Parochial Retirement System.

(2) Receivables and Due from Other Governments

At June 30, 2014, the Center has receivables totaling \$397,862 as follows:

Receivable Class	Governmental Activities
Accounts	
Patient receivables	\$ 848,729
Allowance for doubtful accounts	(772,343)
	<u>76,386</u>
Intergovernmental:	
State of Louisiana	288,430
Magellan Behavioral Health System, LLC	33,046
	<u>321,476</u>
	<u>\$ 397,862</u>

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Notes to Financial Statements (continued)

(3) Accrued Liabilities

The accrued liabilities consisted of the following at June 30, 2014:

	Governmental Activities
Accrued salaries	\$ 35,966
Compensated absences	18,293
Total	<u>\$ 54,259</u>

(4) Retirement Commitments

Eligible employees of the Center participate in Parochial Employees' Retirement System. This retirement system is controlled and administered by a separate board of trustees. This retirement system provides retirement, disability and death benefits to plan members and their beneficiaries.

Plan members are required to contribute 9.5 percent of their annual covered salary to the system while the Center is required to contribute the statutory rate of 16 percent of the total annual covered salary. The Center's contributions to the system for the years ended June 30, 2014, 2013, and 2012 were \$136,323, \$127,681, and \$136,877, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Parochial Employees' Retirement System, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619.

(5) Contingencies

As of June 30, 2014, the employees of the Center accumulated \$63,420 in non-vested sick pay, which is not reflected in the fund financial statements. The contingent liability will be recognized if and when the employees meet the normal vesting requirements.

(6) Related Parties

The Center's operations are housed in a building owned by the St. Mary Parish Hospital Service District No. 3. The District is a component unit of the St. Mary Parish Council as is the Center; therefore, all three are related parties. The Center paid the District rent in the amount of \$136,528 for the year ended June 30, 2014. This rental agreement is year-to-year on an annual basis, unless either party gives written notice to the other party of its intent not to renew beyond the then current annual term. This agreement shall be subject to termination if the Council shall cease to operate the Center or if the funds to continue its operations are not provided by the State of Louisiana.

The St. Mary Parish Council also provided accounting services for a monthly fee of \$1,666 or \$20,000 for the year ended June 30, 2014

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Notes to Financial Statements (continued)

(7) Economic Dependence

The Center currently receives 82 percent of its operating revenue through a Social Service grant. This grant is applied for on a year to year basis and is currently funded through June 30, 2014. With the loss of these revenues, which are year to year grant allocations, and not having other grants or revenue sources to replace these revenues, the continued existence of the Center would be significantly impaired. Because of the Center's dependence on this grant management is constantly seeking other funding sources.

## **REQUIRED SUPPLEMENTARY INFORMATION**

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Budgetary Comparison Schedule  
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Positive (Negative)
Revenues:				
Intergovernmental	\$ 2,384,450	\$ 2,384,450	\$ 2,332,992	\$ (51,458)
Patient fees	-	-	36,601	36,601
Miscellaneous	-	-	20	20
Total revenues	<u>2,384,450</u>	<u>2,384,450</u>	<u>2,369,613</u>	<u>(14,837)</u>
Expenditures:				
Current-				
General government-				
Laboratory fees	15,000	15,000	9,886	5,114
Operating services	335,700	366,700	338,248	28,452
Personal services	1,436,500	1,405,500	1,375,047	30,453
Professional fees	404,100	404,100	369,010	35,090
Supplies	190,150	184,150	79,537	104,613
Travel	1,000	1,000	1,488	(488)
Capital outlay	2,000	8,000	5,791	2,209
Total expenditures	<u>2,384,450</u>	<u>2,384,450</u>	<u>2,179,007</u>	<u>205,443</u>
Net change in fund balance	-	-	190,606	190,606
Fund balance, beginning	<u>5,547</u>	<u>5,547</u>	<u>5,547</u>	<u>-</u>
Fund balance, ending	<u>\$ 5,547</u>	<u>\$ 5,547</u>	<u>\$ 196,153</u>	<u>\$ 190,606</u>

*See accompanying notes to budgetary comparison schedule.*



FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Notes to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget is not adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the St. Mary Parish Council (Council).

(2) Budgeting and Budgetary Accounting

The Center follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed budget is prepared and submitted to the Parish Council for the fiscal year prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten (10) days after publication of the call for the hearing.
4. After the holding of the public hearing, if required, and completion of all action necessary to finalize and implement the budget, the budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
5. All budgetary appropriations lapse at the end of each fiscal year.

(3) Non-GAAP Reporting Reconciliation

Budgetary amounts adopted by the Council do not include bad debts.

Actual amounts are reconciled on a non-GAAP basis for comparison to budget as follows:

	As Reported	Adjustment to Budgetary Basis	Non-GAAP Basis
Expenditures:			
General government			
Bad debts	\$ 4,584	\$ (4,584)	\$ -

## **OTHER SUPPLEMENTARY INFORMATION**

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Louisiana Department of Health and Hospitals: Block Grants for Prevention and Treatment of Substance Abuse	93.959	CFMS:716987	<u>\$ 1,519,696</u>

*See accompanying notes to schedule of expenditures of federal awards.*

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Fairview Treatment Center (the Center). All federal financial assistance received directly from federal agencies is included on the schedule as well as federal financial assistance passed through other government agencies. The U.S. Department of Health and Human Services, passed through the Louisiana Department of Health and Hospitals – Block Grants for Prevention and Treatment of Substance Abuse was considered to be the major federal program of the Center.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

(3) Relationship to Financial Statements

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports.

**INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Fairview Treatment Center  
St. Mary Parish, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fairview Treatment Center (hereinafter "Center"), a governmental fund of the St. Mary Parish Council, as of and for the year ended June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated December 17, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control that we consider to be a material weakness and which is described as item 2014-001 in the accompanying schedule of findings and questioned costs.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Center's Response to Finding**

The Center's response to the finding identified in our audit is described in the accompanying corrective action plan for current audit findings. The Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
December 17, 2014

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Fairview Treatment Center  
St. Mary Parish, Louisiana

### Report on Compliance for Each Major Federal Program

We have audited the compliance of Fairview Treatment Center (hereinafter "Center"), a governmental fund of the St. Mary Parish Council, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2014. The Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Center's compliance.



### ***Opinion on the Major Federal Program***

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB circular A-133. Accordingly, this report is not suitable for any other purpose. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
December 17, 2014

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

Part I. Summary of Auditors' Results:

*Financial Statements:*

1. An unmodified opinion was issued on the financial statements of Fairview Treatment Center, a governmental fund of the St. Mary Parish Council.
2. One (1) deficiency in internal control was identified during the audit of the financial statements. The deficiency is considered to be a material weakness.

*Federal Award Programs:*

3. No deficiencies in internal control over major federal award programs were disclosed by the audit which are considered to be material weaknesses.
4. The auditors' report on compliance for the major program expresses an unmodified opinion.
5. No audit findings are required to be reported in accordance with section 510(a) of OMB Circular A-133.
6. The program tested as major was:

<u>CFDA#</u>	<u>Name of Program</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

7. The dollar threshold used to distinguish between Type A and Type B programs as described in Section 520(b) of Circular A-133 was \$300,000.
8. The Center did not qualify as a low risk auditee under section 530 of Circular A-133.
9. A management letter was not issued.

Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2014-001 Patient Receivables

CONDITION: The Center does not pursue collection on unpaid patient receivables.

The Center accumulates charges associated with patient treatment to individual patient accounts and posts the related payments to the accounts as received from the patient or a third-party payor such as Medicaid or insurance companies. However, the Center does not attempt collection for any amounts that remain unpaid.

Also, the Center charges a \$60 intake fee to all non-Medicaid patients but has not implemented a process to monitor any unpaid balances.

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

CRITERIA: Internal control is a process designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. These policies and procedures would include those pertaining to the Center's ability to record, process, summarize, and report patient receivables consistent with the assertions embodied in the financial statements.

CAUSE: The cause of the condition is the failure to design and implement policies and procedures necessary to assure that patient receivables are timely collected.

EFFECT: The Center's allowance for uncollectible balances is 90% of the amounts due from patients. The Center may also be in violation of Article VII, Section 14 of the Louisiana Constitution for failing to collect or attempt to collect balances due.

RECOMMENDATION: We recommend the Center implement policies and procedures necessary to record and process patient charges as those are charges are earned and collect or attempt collection on unpaid balances on a timely basis.

B. Compliance

There are no findings reported under this section.

Part III. Findings and questioned costs for federal awards reported in accordance with Office of Management and Budget Circular A-133:

There are no findings reported under this section.

FAIRVIEW TREATMENT CENTER  
St. Mary Parish, Louisiana

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014

A. Internal Control –

There were no findings previously reported under this section.

B. Compliance –

2013-1 Budget Variance

CONDITION: Budget variance in excess of 5% was incurred in the fund.

RECOMMENDATION: We recommend that the Center periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to cause compliance with state statute.

CURRENT STATUS: This condition did not recur.

C. OMB A-133 –

There were no findings previously reported under this section.

D. Management Letter –

A management letter was not issued for the previous engagement.

**CORRECTIVE ACTION PLAN FOR CURRENT AUDIT FINDINGS**

**EXHIBIT A**



## FAIRVIEW TREATMENT CENTER

1101 SOUTHEAST BLVD. BAYOU VISTA, LA 70380  
PHONE: 985-395-6750 ~ FAX: 985-395-6794

January 13, 2015

Gerald Thibodeaux, CPA  
Kolder, Champagne, Slaven & Company, LLC  
1234 David Drive, Suite 203  
Morgan City, LA 70380

Re: Response to Audit Finding Regarding Collection on Unpaid Receivables

The following is management's response and corrective action plan to the finding noted in your report on the audit of the Center's financial statements for the year ended June 30, 2014:

**Finding 2014-001 - Patient Receivables**

**The Center has prepared and submitted a policy regarding the recording, processing and collection of patient billings and receivables (see attached). The policy has been approved by the parish government as of January 13, 2015.**

Please advise if there are any further questions.

Sincerely,

Carla B. Pellerin, MHA  
Administrator



## FAIRVIEW TREATMENT CENTER

1101 SOUTHEAST BLVD. BATON ROUGE, LA 70830  
PHONE: 985-395-6750 ~ FAX: 985-395-6794

<b>SUBJECT:</b> Accounts Receivable Write Off	<b>POLICY NUMBER:</b>
<b>PURPOSE:</b> To establish the guidelines and standards on unpaid patient/client receivables.	<b>APPLIES TO:</b> FTC Staff and FTC Clients
<b>ORIGINATION DATE:</b> 1/2/2014	<b>REVISION DATE:</b>

### Policy:

Fairview Treatment Center (FTC) is a governmental fund of the St. Mary Parish Council and as such adheres to the fiscal policies and procedures of the St. Mary Parish Government.

Fairview Treatment Center accumulates patient charges based on one of the following methods:

1. Client has active Medicaid coverage and the client's charges are billed to Medicaid. The client has no further responsibility provided his/her coverage is applicable to inpatient substance abuse services and the client's coverage is active during the client is in Fairview's program.
2. Client does not have Medicaid or client's Medicaid coverage does not extend or cover inpatient substance abuse services. Clients charges are:
  - a. Billed to the block grant if allowed; or
  - b. Client is responsible for charges based on the limits of liability scale applied to each self paying client.
3. Clients that do not have Medicaid are responsible for a \$60 administrative fee unless the client has private insurance.
4. If the client has private insurance, Fairview will bill the client's charges in accordance with the terms of the private insurance plan.

### Collections Procedure:

1. The center's designated administrative staff will pursue all Medicaid charges for a period of 366 days past the last date of service. Any Medicaid charge that is 367 days or older will be written off to bad debt.
2. Except for those clients who are actively paying on their accounts, the center's designated administrative staff will pursue all other self pay charges for a period of 730 days (2 years) on clients who :
  - a. Owe the center all or a portion of the \$60 administrative fee
  - b. Owe the center for the portion of their total bill assigned to them as per the limits of liability scale applied to all non covered or uninsured clients (includes those clients who are not covered by the block grant contract).
  - c. Owe the center for the portion of the bill not covered by their private insurance carrier.

If the client makes no attempt to pay on the account, after 731 days, the account will be submitted to the parish finance director as a bad debt.



## FAIRVIEW TREATMENT CENTER

1101 SOUTHEAST BLVD. BAYOU VISTA, LA 70330  
PHONE: 985-395-6750 - FAX: 985-395-6794

3. A list of all clients whose accounts are inactive for a period of 731 days will be submitted to the St. Mary Parish Government's Finance Director's office for final approval and bad debt write off processing.